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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 1/1/04 AND ENDING 12/31/04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Equitable Advisors, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

One Belle Meade Place, Suite 310

(No. and Street)

Nashville

Tennessee

37205

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Larry Smith

615-460-1142

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Byrd, Proctor &amp; Mills, P.C.

(Name - if individual, state last, first, middle name)

111 Westwood Place, Suite 400

Brentwood

Tennessee

37027

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

PROCESSED  
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THOMSON  
FINANCIAL

**FOR OFFICIAL USE ONLY**

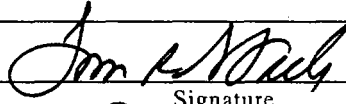
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

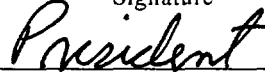
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## OATH OR AFFIRMATION

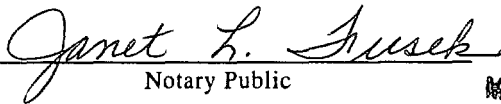
I, Thomas R. Steele, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Equitable Advisors, Inc., as of December 31, 2004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Signature



Title



Notary Public

My Commission Expires JULY 30, 2005

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☐ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent Auditors' Report on Internal Control.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Equitable Advisors, Inc.  
Nashville, Tennessee

We have audited the accompanying statements of financial condition of Equitable Advisors, Inc. (an S Corporation) as of December 31, 2004 and 2003, and the related statements of income, changes in stockholder's equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Equitable Advisors, Inc. at December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on page 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Byrd, Proctor & Mills, P.C.*

January 21, 2005

EQUITABLE ADVISORS, INC.  
STATEMENTS OF FINANCIAL CONDITION  
December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 82,173	\$131,687
Receivable from clearing organization	37,235	27,318
Due from affiliated companies	84,393	70,823
Property and equipment	5,721	8,185
Clearing firm deposit	50,073	50,437
Other assets	<u>4,188</u>	<u>1,039</u>
	<u>\$263,783</u>	<u>\$289,489</u>
<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>		
<u>LIABILITIES</u>		
Due to affiliated companies	\$ 43,092	\$ 23,728
Accounts payable, accrued expenses and other liabilities	<u>2,531</u>	<u>2,642</u>
	45,623	26,370
<u>STOCKHOLDER'S EQUITY</u>		
Common stock, \$.01 par value, 1,000 shares authorized, issued and outstanding	10	10
Additional paid-in capital	139,990	139,990
Retained earnings	<u>78,160</u>	<u>123,119</u>
	<u>218,160</u>	<u>263,119</u>
	<u>\$263,783</u>	<u>\$289,489</u>

See accompanying notes.

EQUITABLE ADVISORS, INC.  
STATEMENTS OF INCOME  
Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
REVENUES		
Commissions	\$ 412,423	\$406,062
Interest and dividends	1,760	1,196
Investment advisory fees	702,886	444,586
Other income	<u>92,755</u>	<u>84,855</u>
	1,209,824	936,699
EXPENSES		
Employee compensation and benefits	876,577	595,410
Floor brokerage, exchange and clearance fees	94,100	74,233
Communications and data processing	21,870	24,473
Regulatory laws and expenses	6,248	9,367
Other expenses	<u>255,884</u>	<u>163,878</u>
	1,254,679	867,361
Income (loss) before state income taxes	(44,855)	69,338
State income taxes	<u>104</u>	<u>5,005</u>
Net income (loss)	\$ <u>(44,959)</u>	\$ <u>64,333</u>

See accompanying notes.

EQUITABLE ADVISORS, INC.  
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY  
Years Ended December 31, 2004 and 2003

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
BALANCE AT JANUARY 1, 2003	\$10	\$139,990	\$ 58,786	\$198,786
Net income	<u>-</u>	<u>-</u>	<u>64,333</u>	<u>64,333</u>
BALANCE AT DECEMBER 31, 2003	10	139,990	123,119	263,119
Net loss	<u>-</u>	<u>-</u>	<u>(44,959)</u>	<u>(44,959)</u>
BALANCE AT DECEMBER 31, 2004	<u>\$10</u>	<u>\$139,990</u>	<u>\$ 78,160</u>	<u>\$218,160</u>

See accompanying notes.

EQUITABLE ADVISORS, INC.  
STATEMENTS OF CHANGES IN LIABILITIES SUBORDINATED  
TO CLAIMS OF GENERAL CREDITORS  
Years Ended December 31, 2004 and 2003

Balance at January 1, 2003	\$ -
Increases (decreases)	<u>-</u>
Balance at December 31, 2003	-
Increases (decreases)	<u>-</u>
Balance at December 31, 2004	\$ <u><u>-</u></u>

See accompanying notes.



EQUITABLE ADVISORS, INC.  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (44,959)	\$ 64,333
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	2,464	7,068
Loss on sale of property and equipment	-	13,051
(Increase) decrease in operating assets		
Receivable from clearing organization	(9,917)	8,964
Due from affiliated companies	(13,570)	(49,220)
Clearing firm deposit	364	(413)
Other assets	(3,149)	(570)
Increase (decrease) in operating liabilities		
Due to affiliated companies	19,364	10,697
Accounts payable, accrued expenses and other liabilities	<u>(111)</u>	<u>(6,746)</u>
Net cash provided (used) by operating activities	(49,514)	47,167
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	-	400
Purchase of property and equipment	<u>-</u>	<u>(2,002)</u>
Net cash used by investing activities	-	(1,602)
Net increase (decrease) in cash and cash equivalents	(49,514)	45,565
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>131,687</u>	<u>86,122</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 82,173</u>	<u>\$131,687</u>
<b>SUPPLEMENTARY DISCLOSURES</b>		
State income tax payments	<u>\$ 7,216</u>	<u>\$ 6,154</u>

See accompanying notes.

EQUITABLE ADVISORS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Equitable Advisors, Inc. (the Company) is a Tennessee corporation formed in 2000 and is a wholly owned subsidiary of ETC Corporation. The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD). The Company provides investment advisory services related to investments such as securities, mutual funds and other types of investments primarily to customers in Tennessee. The Company does not ordinarily provide credit to its customers.

Depreciation

The Company's property and equipment are depreciated using primarily accelerated methods over their estimated useful lives of five to seven years.

Investment Advisory Income

Investment advisory fees are received quarterly but are recognized as earned on a pro rata basis over the term of the contract.

Income Taxes

The Company, with the consent of its stockholder, has elected under the Internal Revenue Code to be an S Corporation. In lieu of corporate federal income taxes, the stockholders of an S Corporation are taxed on their proportionate share of the company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. Certain states do not recognize S Corporations and therefore levy a tax on the S Corporation's state taxable income.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

Advertising

Advertising costs are expensed as incurred. Advertising expense amounted to \$885 in 2004 and \$725 in 2003.

EQUITABLE ADVISORS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

NOTE 2 – RECEIVABLE FROM CLEARING ORGANIZATION

Amounts receivable from the clearing organization consists of fees payable and commissions receivable. The Company clears its customer transactions through another broker-dealer on a fully disclosed basis.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2004</u>	<u>2003</u>
Office and computer equipment	\$ 18,157	\$18,157
Accumulated depreciation	<u>(12,436)</u>	<u>(9,972)</u>
	<u>\$ 5,721</u>	<u>\$ 8,185</u>

NOTE 4 – NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2004, the Company had net capital of \$102,213 which is \$52,213 in excess of its required net capital of \$50,000. The Company's net capital ratio was .45 to 1. At December 31, 2003, the Company had net capital of \$184,158 which is \$134,158 in excess of its required net capital of \$50,000. The Company's net capital ratio was .01 to 1.

NOTE 5 – DEFINED CONTRIBUTION PENSION PLAN

The Company sponsors a 401(k) profit sharing plan effective January 2002. Each employee of the Company is eligible to become a participant upon attainment of twenty-one years of age and completion of one month of service. Employees may contribute to the plan on a pretax basis. Participants are immediately vested in the plan. The Company's profit sharing contribution to the plan is discretionary. The Company matched 100% of the employees' deferrals that do not exceed 4% of the employees' compensation. The Company's contribution expense amounted to \$12,127 in 2004 and \$13,565 in 2003.

EQUITABLE ADVISORS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

NOTE 6 – RELATED PARTY TRANSACTIONS

The Company is wholly owned by ETC Corporation. The Company is affiliated with Equitable Advisors Delaware, Inc. and Equitable Trust, Inc., both of which are also wholly owned by ETC Corporation.

The Company shares office space with all three companies. Expenses related to office rent, professional fees, maintenance, office equipment, other office related items, note payments and capital requirements are charged to the Company on a pro rata basis. The amount charged to the Company during 2004 and 2003 amounted to \$110,854 and \$115,071, respectively.

ETC Corporation is the general partner in First Quadrant Investors and First Quadrant Mercury, LP. The Company received revenue of \$179,283 and \$-0- during 2004 and 2003, respectively, from the partnerships.

SUPPLEMENTARY INFORMATION

EQUITABLE ADVISORS, INC.  
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION  
December 31, 2004

COMPUTATION OF NET CAPITAL

Stockholder's equity qualified for net capital	\$218,160
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Deductions and/or charges

Due from affiliated companies	\$84,393	
Property and equipment, net	5,721	
Prepaid expenses	4,188	
Other deductions and/or charges	<u>19,000</u>	<u>113,302</u>

Net capital before haircuts on securities positions	104,858
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Haircuts on securities

Money market funds	<u>2,645</u>
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Net capital	<u>\$102,213</u>
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COMPUTATION ON BASIC NET CAPITAL REQUIREMENT

Minimum net capital required	\$ <u>3,042</u>
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Minimum dollar net capital requirement of reporting broker or dealer	\$ <u>50,000</u>
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Net capital requirement	\$ <u>50,000</u>
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Excess net capital	\$ <u>52,213</u>
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Excess net capital at 1,000%	\$ <u>97,651</u>
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COMPUTATION OF AGGREGATE INDEBTEDNESS

Total aggregate indebtedness liabilities	\$ <u>45,623</u>
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Percentage of aggregate indebtedness to net capital	% <u>45</u>
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RECONCILIATION WITH COMPANY'S COMPUTATION

Net capital, as reported in Company's Part II (unaudited) FOCUS report	\$100,723
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Audit adjustments to accrued state taxes	5,145
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Prepaid taxes	<u>(3,655)</u>
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Net capital per above	<u>\$102,213</u>
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To the Board of Directors  
Equitable Advisors, Inc.  
Nashville, Tennessee

In planning and performing our audit of the financial statements of Equitable Advisors, Inc. (the Company), for the year ended December 31, 2004, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3

The management of the Company is responsible for establishing and maintaining an internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2004, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, National Association of Securities Dealers (NASD), and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Byrd, Proctor & Mills, P.C.*

January 21, 2005